

Patricia M. French
Senior Attorney



300 Friberg Parkway
Westborough, Massachusetts 01581
(508) 836-7394
(508) 836-7039 (facsimile)
pfrench@nisource.com

July 31, 2006

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-36

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), are Bay State's responses to the following Information Requests:

DTE 2-1	DTE 2-2	DTE 2-3	DTE 2-4	DTE 2-5
DTE 2-6	DTE 2-7	DTE 2-10	DTE 2-11	DTE 2-12
DTE 2-13				

The remaining responses (DTE 2-8 and DTE 2-9) will be filed as soon as they are available.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

Patricia M. French

cc: Julie Howley Westwater, Esq., Hearing Officer
Jamie M. Tosches, Esq., Office of the Attorney General
Service List (Electronic Service per the Ground Rules)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-1 Please refer to the Company's response to Information Request ("IR") DTE 1-1. Explain why the Company failed to notify the Department, prior to the established reporting deadline of March 31, 2006, that the Company was unable to comply with the Department directive to submit for Department review, a complete proposal for monitoring overtakes by grandfathered transportation customers. Bay State Gas Company, D.T.E. 05-27 (2005) at 356. When did the Company earnestly make efforts to comply with this directive and describe those efforts.

RESPONSE: As explained in the Company's March 31, 2006 filing in this docket, the Company used the first quarter of 2006 to fully assess the Department's monitoring and shutoff suggestion and determined, based on its research, that implementation of a monitoring and shut-off plan was infeasible. The filing for this docket was prepared rapidly in late March. It would have been confusing and inefficient for Bay State to make two filings, one identifying the infirmities in the proposal by the Department, and the second to propose a viable alternative. Instead, Bay State timely notified the Department by explaining in full both the rationale and the justification for its deviation from the Department's Order.

Bay State found that the system outlined by the Department would require both facility upgrades and changes to the Bay State processes that govern daily protocols and interactions with grandfathered customers and their suppliers. The facility requirements would mandate expensive enhanced metering and flow control at grandfathered customer locations. Modified processes would need to provide for enhanced monitoring of competitive supplier scheduling activities on pipelines serving Bay State as well as new protocols for disconnecting grandfathered customers. As Bay State investigated the requirements of a system that would have satisfied, a number of areas of concern were identified that questioned its overall efficacy. Among these were the costs to customers of the advanced required metering equipment, inconsistencies with upstream pipeline scheduling flexibility and additional risk of customer confusion and aggravation, leading to ill will and possible court action. The changes required by implementing the proposed monitoring and shutoff system would have a material impact on customers. Customers will be required to bear additional costs to pay for required facilities and may also be required to pay incremental costs incurred by competitive suppliers to

compensate for additional risks and penalties that may be incurred. Exh. BSG-1 at 6-9. In addition to the cost impact of the system, the risk of shutoff could eliminate the viability of a customer retaining its grandfathered status. This is particularly true for essential needs customers, which represent almost fifty percent of Bay State's grandfathered customers. Bay State expected strong opposition among grandfathered customers were Bay State to install flow-control equipment. And nevertheless, Bay State determined that flow control equipment would not be effective because Bay State could not determine which pooled customer was in an overtake position until the positions settled at month's end. Further, even if specific customers were held to a daily imbalance requirement without consideration of settling positions by way of trades at the end of the month, because of intraday nomination provisions, system reliability could be compromised before any demonstration of a customer's daily overtake.

Accordingly, the Company developed an alternative to address its very real reliability concerns, which is the proposal pending before the Department. Therefore, the Company believes for these reasons it made a timely response to the Department's directive in D.T.E. 05-27 (2005) at 356, by providing a full and complete justification for its inability to comply with the Order, and by bringing to the Department a viable alternative for its consideration.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy and Francisco C. DaFonte,
Director, Energy Supply Services

DTE 2-2

Assuming the Department were to approve the Petition:

- (a) provide a list of all actions that Bay State would need to undertake to implement the proposal.
- (b) indicate the specific time frame for each action.
- (c) indicate whether Bay State considers any of the actions to be critical for the winter of 2006-07. If so, provide supporting documentation for that assessment.
- (d) identify the likely providers, if any, of both capacity and supply that Bay State would contact to implement the proposal.
- (e) identify any additional regulatory approvals that may be required to implement the proposal.

- RESPONSE: (a) Bay State would first assess its total system requirements given the 30% reserve capacity planning process. Bay State would do this separately for the Tennessee system (serving the Springfield and Lawrence Divisions) and the Algonquin system (serving the Brockton Division). As shown in the attachment to the response to Hess 1-2, Bay State has sufficient assets to cover the capacity reserve demand on Tennessee but would require approximately 6,000 Dth of additional capacity on the Algonquin system. Consistent with its resource procurement process, Bay State would seek bids for the capacity reserve requirements in the Brockton Division. To the extent that this incremental resource and associated costs would be identified prior to November 1, 2006, the Company's CECRC would reflect capacity costs including this resource.
- (b) The Company would undertake the above actions immediately upon receiving an order.
 - (c) Bay State considers the shortfall in its Brockton Division to be of a critical nature. As stated in the response to (a) above, the

Company would be approximately 6,000 Dth short on Design Day in its Brockton Division.

- (d) Bay State has a list of more than forty counterparties with which it does business on a fairly regular basis. Bay State would conduct an RFP process that would include these forty counterparties as well as others that may be added.
- (e) Department approval for the Company's specific tariff changes filed in this proceeding would be required. These changes include the proposed CECRC tariff and specific rate filing for implementation on December 1, 2006, as well as revisions to its Delivery and Default Service Terms and Conditions and Cost of Gas Adjustment Clause. In addition, regulatory approval may be needed for the incremental resource acquisition should it be for greater than one year.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager, Regulatory Policy and Francisco C. DaFonte,
Director, Energy Supply Services

DTE 2-3 If the Petition were denied, indicate all actions Bay State would need to
take to provide reliable firm service for the winter of 2006-2007.

RESPONSE: If Bay State's proposal were denied by the Department, the actions that Bay State might undertake would depend on what the Department's Order stated. For example, were the Department to definitively state that Bay State was wrong about its concerns and that the facts and evidence demonstrate that no reliability risk is posed by grandfathered customers, Bay State would continue to provide as reliable a service as it possibly could with the assets the Company has on hand, understanding that the Department has refused to recognize the proposed planning standard, and instead has directed the Company to plan its resources at a level that disregards the proposed reliability need. In the event the Department's order makes clear that the specter of marketer under-deliveries associated with unassigned capacity load on the Company's system persists and the system reliability risk that Bay State has identified remains, but the Department still denies the Petition, Bay State may need to respond by appealing the Department's Order as not supported by the evidence and leaving the Company with resource planning constraints that do not address the reliability risk.

Bay State's assessment of its current requirements and resources indicates that its available resources would be insufficient to respond to such under-deliveries in its Brockton Division on a critical day during the 2006-2007 winter period. Clearly, if Bay State were to obtain the necessary resources to meet this probability through its planning standard, it would need to seek recovery of the same from its customers, whether or not critical day under-deliveries occurred.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-4 Please refer to IR DTE 1-11. Provide any letters, documents, notes, correspondence and minutes of any meetings with marketers and/or grandfathered customers held by the Company, explaining the Company's concerns about overtakes and the problems that overtakes cause for the distribution system. If there are none, so state.

RESPONSE: In January 2000, during an extremely cold period, the Company experienced significant overtakes during OFO days that in turn resulted in significant OFO penalty charges to many suppliers. The Company, in order to respond to the fact that many suppliers were overtaking on Bay State's system, as reflected by the overtake charges, conducted a supplier meeting on April 14, 2000. The internal notes on the issues addressed in this meeting are reflected in a series of e-mail exchanges. See Attachment DTE-2-4 (a).

The Company also communicated to all its grandfathered customers pursuant to the Department's D.T.E 02-75A Order. Attached is that letter as Attachment DTE 2-4 (b).

Also, in preparing for the winter season in 2005, following the devastating hurricane season, high gas prices and capacity constraints on long-haul gas, Bay State sent a letter to marketers seeking cooperation in the event they decided to return customers to Bay State. See Attachment DTE-2-4 (c). While other more informal discussions regarding the Company's concerns about overtakes and reliability may have taken place (or may have taken place in other jurisdictions), the Company cannot recall any other meetings with Bay State's customers' marketers specifically directed to the discussion of the impact of overtakes and the Company's concerns about problems that overtakes impose on distribution system reliability.

04/21/2000 06:56 PM

To:

cc:

Subject: RE: Upcoming Marketer Complaint Meeting

Attached is the requested detail with regard to Item (6), which sets forth information about marketer receivables. By way of summary, following is the overall incremental 30-day breakdown:

- \$215,981.01 (0-30 days)
- \$1,545,198.01 (31-60 days)
- \$95,432.63 (61-90 days)
- \$85.70 (91-120 days)
- \$840,500.82 (>120 days)
- TOTAL OUTSTANDING RECEIVABLES = \$2,697,198.17

-----Original Message-----

From:

Sent: Friday, April 21, 2000 6:15 PM

To:

Subject: RE: Upcoming Marketer Complaint Meeting

Based on what Rich has determined below, BGC actually billed marketers approximately \$1.578 million for penalties (\$1.487 million) and cash-outs (\$0.091 million) during the month of January. What BGC could have billed marketers was approximately \$2.769 million for penalties (\$2.393 million) and cash-outs (\$0.376 million) during the month of January. The actual billed amount represents a savings of \$1.191 million or 43% to the marketers due to our attempts to minimize their imbalance payments.

-----Original Message-----

From:

Sent: Friday, April 21, 2000 5:20 PM

To:

Subject: RE: Upcoming Marketer Complaint Meeting

Following is the information in response to some of the issues that were raised at this afternoon's strategy discussion with regard to next Wednesday's marketer meeting:

2) A discussion concerning the reasonableness of the above \$1.5 million in penalties revealed that, if BGC used the actual meter reads gathered from the February true-up, then the penalties paid by marketers would have been significantly higher. (R. Sasdi will determine the higher penalties based on the 75,000 Dth difference between estimated January meter reads and actual meter reads found during the February true-up.)

Restated: What was the impact on the January OFO penalties attributable to the fact that approximately 9% of the month's usage was estimated?

Answer: Once the true-up of problem Metscan units was completed as part of the February billing cycle, it was determined that if actual meter reads had been available for those accounts during January, Bay State would have billed the marketers approximately 725,000 additional therms. Estimating conservatively (marketer friendly), since 15 of the month's 31 days were subject to OFO conditions, we may reasonably assume that at least 50% of that trued-up volume, or 362,500 therms applied to the OFO period. Since virtually all of this additional volume would have been caused the incurrence of the \$2.50/therm OFO penalty, the marketers would have been billed an additional \$906,250 in OFO penalties, raising the total from the current \$1.487 million to nearly \$2.4 million.

4) It was mentioned that the cash-out of marketer January imbalances were not all based on BGC's incremental gas cost but were based on the lower cost of pipeline gas. (M. DeBruin will determine the higher cash-out costs to marketers, if all imbalances were charged BGC's incremental gas costs.)

Restated: What was the impact of cashing out the marketers at the pipeline rate for the entire month instead of applying the supplemental rate on the month's 14 supplemental supply days?

Answer: Marketers incurred approximately \$91,000 in monthly cashout related charges for the month of January 2000. These charges are based upon a Tennessee pipeline cashout rate of \$0.27805/therm and Algonquin cashout rate of \$0.26955/therm. The supplemental rate for the month was \$0.57245. If the supplemental rate has been applied to the marketers' cashout calculations on the above-referenced 14 days, it is estimated that they would have incurred additional charges approaching \$85,000.

In addition, if the additional trued-up amount of 725,000 therms had been available and factored into the January monthly cashout at the time it was calculated, the marketer cashout amounts would have been even higher. As with the response to number (2), if it is reasonably assumed that 50% of this additional volume is attributable to the supplemental period, then an additional 362,500 therms would have been cashed out at the supplemental rate of \$0.57245/therm. This translates to additional charges in the amount of at least \$200,000.

I am in the process of compiling a response to Item (6), which will set forth information relating to past due balances of the marketer accounts. Because this is a somewhat time consuming issue, I wanted to get these initial responses to you

now. I will forward the past due information as soon as I have it pulled together.
Please let me know if you have any questions.

-----Original Message-----

From:
Sent: Friday, April 21, 2000 4:58 PM
To:
Cc:
Subject: Upcoming Marketer Complaint Meeting

Below is a summary of today's meeting in which we discussed BGC's strategy for marketer complaints.

(1) The to-do list developed at the 4/14 meeting has been completed. This includes the completion of a letter to be sent to daily-metered customers calling for their maintenance of adequate phone lines, etc.; an analysis which indicates the January penalties, based on estimated January meter reads, to marketers was approximately \$1.5 million; and an analysis which indicates that the marginal gas costs incurred by BGC to make-up for the January 14 - January 30 imbalance deficiencies of marketers was approximately \$900,000.

(2) A discussion concerning the reasonableness of the above \$1.5 million in penalties revealed that, if BGC used the actual meter reads gathered from the February true-up, then the penalties paid by marketers would have been significantly higher. (R. Sasdi will determine the higher penalties based on the 75,000 Dth difference between estimated January meter reads and actual meter reads found during the February true-up.)

(3) A discussion concerning the reasonableness of the above \$900,000 incremental gas costs incurred by BGC revealed that, if BGC used the actual meter reads gathered from the February true-up, then the incremental gas costs would have been significantly higher. (M. DeBruin will determine the higher costs based on the 75,000 Dth difference mentioned above.)

(4) It was mentioned that the cash-out of marketer January imbalances were not all based on BGC's incremental gas cost but were based on the lower cost of pipeline gas. (M. DeBruin will determine the higher cash-out costs to marketers, if all imbalances were charged BGC's incremental gas costs.)

(5) Based on (2), (3) and (4), above, it was decided that BGC has already given marketers a clear and significant advantage in minimizing penalty and cash-out payments due BGC. (The magnitude of this advantage will be revealed upon completion of (2), (3), and (4), above.)

(6) It was revealed that, exclusive of the January imbalance penalties due BGC, approximately \$1.2 million in prior imbalances is already past due. (R. Sasdi will stratify the past due amounts by marketer in 30-day increments.)

(7) It was concluded that BGC's internal processes for adding/withdrawing customers from marketer pools, notifying marketers of such changes and the info package of marketer requirements given to those participating in BGC's transportation programs were more than adequate. (N. Porro distributed this package at our meeting and we may handout (again!) some of the relevant parts at our upcoming marketer meeting.)

(8) It is believed that marketer-internal processes and marketer-internal communications are not very good. Therefore, we concluded that BGC should not take any responsibility for their errors and inefficiencies. As an example, it was revealed that one marketer does the noms in Texas, the billing in Ohio and the enrollments/terminations in Massachusetts and that our direct experience and communications with these different offices showed them not to be adequately discussing important changes to their customer pool, like the customers that had left or had been added their pool. We believe this lack of communication led to daily noms for customers no longer in the marketer's pool and/or no noms for customers in the marketer's pool.

(9) We all agreed the information and timeliness of information received from BGC's Metscan devices and sent to marketers is problematic. However, we agreed to attempt to distinguish between the Metscan issue and other issues, like (8), above, at the upcoming marketer meeting.

(10) We agreed that the above and the completion of outstanding tasks can serve as the agenda for our Monday meeting with Jeff.

If I missed something, please advise.

[DATE]

[Customer Name]
[Customer Mailing Address]
[City, State, Zip Code]

Re: Customer account [Customer Account Number] serving [Service Address, city, State]

Dear Customer:

On October 22, 2004, the Department of Telecommunications and Energy (“Department”) issued its order clarifying certain issues related to Bay State Gas Company’s (“Bay State’s”) continuing provision of service to its firm transportation customers who have not been assigned the Company’s capacity associated with meeting the respective customers’ daily requirements (“grandfathered”). Bay State Gas Company, D.T.E. 02-75-A (Oct. 22, 2004). The Department directed the Company in that order to notify you, as a grandfathered customer under the above-referenced account, of certain conditions under which Bay State should continue to provide service to grandfathered customers. Since this letter is likely being addressed to the billing contact of your company, I suggest that it be forwarded to the energy decision maker at your company, as well to your company’s natural gas supplier.

In that October 22, 2004 order, the Department identified that it was necessary for the Department to establish a plan for Bay State to address the operational risks posed by the unauthorized taking of natural gas by Bay State’s grandfathered firm transportation customers. Such unauthorized use of gas by a grandfathered customer essentially demonstrates a failure to have sufficient gas supply for that customer’s use on certain days of the year, and imposes a risk that such gas use will cause Bay State’s capacity reserved for its firm bundled sales and non-grandfathered customers to be insufficient. The Department required Bay State to notify and remind all of its grandfathered customers that unauthorized overtakes are subject to penalties pursuant to the Company’s Terms and Conditions. The Department also directed the Company to notify you that such overtakes may threaten the integrity of Bay State’s distribution system, and therefore could result in disconnects from the system.

Accordingly, please be advised and reminded that, as a grandfathered firm transportation customer of Bay State, you, or your supplier on behalf of you, must have sufficient natural gas to meet your daily requirements, and pursuant to state tariff provision, Bay State may assess penalties on any unauthorized use in the amount of five (5) times the daily index price of natural gas on the day of the overtake.

Please be aware that each time you take more natural gas from Bay State's distribution system than that which is being provided by your supplier, such overtake may threaten the integrity of Bay State's distribution system and jeopardize Bay State's ability to serve its bundled firm residential and commercial customers with natural gas service for heating and other needs. Accordingly, Bay State has an obligation to its other firm customers and the right, and specifically reserves the right, to shut off your meter and disconnect your service from its distribution system in the event of an overtake on any day of the year, especially during peak demand periods, or for any other reason it determines the operation of its distribution system may be jeopardized.

Please be further advised that, in order to alleviate the risk of system disruption as a result of the actions (i.e. the unauthorized use of natural gas) by Bay State's grandfathered customers, the Department has directed Bay State to implement a system under which Bay State will have the ability to monitor your gas usage on a daily basis to mitigate this potential risk of system disruption and submit a report to the Department, explaining how this system will work. We welcome input from you and your supplier on how best to accomplish this goal.

This notice is provided pursuant to the requirements of the Department's order in D.T.E. 02-75.

Since your marketer is aware that they need to supply your full gas requirements and should understand the potential ramifications of inadequate deliverability to the Company's system, a copy of this letter has been provided to them for reference. Please direct any questions about your current supply of natural gas to your marketer.

Please do not hesitate to call 1-877-777-3753 with any questions you may have about this letter or the Department order in D.T.E. 02-75.

Very truly yours,
Bay State Gas

{Date}, 2005

Marketer Contact
Marketer Company
Address
City State Zip

Dear Gas Supplier:

Our industry is faced with unprecedented supply disruptions, historically high natural gas prices and much uncertainty as we move into our peak-heating season as a result of the hurricanes that have recently ravaged the Gulf Coast. In preparation for the upcoming winter period, Bay State Gas Company and Northern Utilities are asking you to maintain open communications over the next few months to insure that our mutual firm customers are appropriately served. In particular, we would like to ask that you provide us with as much notice as is practical in the event that you are planning or even just considering to return any of your customers back to sales service for any reason, especially those customers whose requirements are not being met with the Company's capacity and supply resources. (These customers are considered capacity-exempt or "grandfathered" customers.) As you know, Bay State Gas Company and Northern Utilities – New Hampshire Division both have mandatory capacity assignment programs and capacity is only reserved for firm sales and non-capacity exempt (non-grandfathered) customers. That is, we are not obligated to take these customers back to sales service and we may not have sufficient capacity to serve them, particularly if we do not get sufficient notice of an imminent return.

By way of example, one supplier has already approached us about accepting assignment of our capacity on a mandatory basis for a portion of their grandfathered customers in Massachusetts. We sincerely appreciate this advance notice and will work with this supplier and the supplier's customers to ensure that they receive both a reliable and economic service. Any capacity requests such as this will be considered on a first-come first-served basis.

With the uncertainties surrounding the industry this winter, we would also like to take this opportunity to emphasize to you that any unexpected material under-deliveries to meet the requirements of firm transportation customers during peak periods could jeopardize the reliability of service to any firm customer on the Company's system.

If you are anticipating any difficulties in securing supply this winter, we ask for honest, open dialogue sooner, rather than later. Solutions we reach over the coming weeks may well be unavailable during the peak period months of December, January and February.

Bay State and Northern Utilities are confident that we will meet the demands of all our firm sales customers this winter. We expect that you will also be able to meet the demands of your customers and not jeopardize our service to all firm customers. With advance notice and by working together we can reassure you and your customers that the reliable service that they have been accustomed to will continue this winter. Thank you for your cooperation to date and please keep an open dialogue. You can call Ron Slate (413-781-9200 ext. 2100), or Norma Porro (978-687-1105 ext. 4236) with any questions or concerns you may have.

Sincerely,

F. Chico DaFonte
Director, Energy Supply Services

Cc: Massachusetts Department of Telecommunications and Energy
New Hampshire Public Utilities Commission
Maine Public Utilities Commission

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-5 Please refer to IR DTE 1-8 and Exh. BSG-1, Att. JAF-1. Please provide copies of written responses from customers and/or marketers related to the Company's notification to grandfathered customers of the potential for shutoff. If there are none, so state.

RESPONSE: There were no written responses from customers or marketers regarding the Company's notification to grandfathered customers of the potential for shutoff.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-6 Please refer to the Company's responses to IR DTE 1-26 and Exh. BSG-1, Att. JAF-2. Please verify that the last time the Company experienced an overtake by grandfathered customers was on December 6, 2004.

RESPONSE: No, the Company has experienced overtakes by grandfathered customers on many days after December 6, 2004. As stated in response to DTE 1-26, none of the overtakes after December 6, 2004 were as high as the highest 20 overtakes from November 1, 2001. See DTE 1-4 for the numerous days after December 6, 2004 in which overtakes occurred by the Daily Metered pools.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-7 Please refer to the Company's responses to IR DTE 1-6. Does the response mean that no grandfathered customers have returned to firm sales service since October 15, 2000? If yes, reconcile this with the Company's expressed concern in DTE 02-75 that the prospect that grandfathered customers might return to sales service was a reason for the ten percent contingency reserve proposed in that proceeding.

RESPONSE: No, the response to DTE 1-6 provides a list of 2,890 grandfathered customers who returned to firm sales service after October 15, 2000. The list shows the end dates on firm (grandfathered) transportation service of each account. These end dates represent the date that the customers switched to firm sales service, indicating that such switches occurred throughout the years, including in recent months in 2006.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-10 Please refer to the Company's response to IR Hess 1-9. Explain how the Company differentiates between overtakes caused by grandfathered customers and those caused by other customers.

RESPONSE: The Company can only identify the daily overtakes by Daily Metered and Non-daily Metered pools, both of which consist of grandfathered and non-grandfathered customers. Thus, overtakes can be identified neither by individual customer nor by grandfathered or non-grandfathered customer groupings. However, since the Company determines the daily requirement of customers in Non-daily Metered pools through the Adjusted Target Value (ATV) derived by the Company algorithm and since suppliers have opted to apply a pre-determined allocation of nominations such that their nominations cover the ATVs, the Company has found that imbalances primarily occur in the Daily Metered pools.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-11 Please refer to the Company's response to IR Hess 1-15. State the proportion of the 30% design day load of all grandfathered customers included in the Company's proposal that is due to a reliability requirement and the proportion that is due to incremental planning standard.

RESPONSE: The entire 30% design day load of grandfathered customers is associated with a reliability planning standard that will be factored into the Company's resource planning process. This new planning standard would be integrated with the Company's existing design-weather planning standards to determine overall resource requirements.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-12 Please refer to the Company's response to IR Hess 1-20.

- (a) State the number and percentage of grandfathered customers who act as their own supplier.
- (b) Explain the procedure that the Company uses to identify a specific customer overtake on any given day when the overtake is associated with a customer who acts as its own supplier and is not included in a Supplier pool.
- (c) How cost-effective is the procedure?

RESPONSE:

- (a) There are six (6) customers who act as their own supplier or 0.35% of the total number of grandfathered customers. Note that all six of these customers take service under special contracts and include three electric power plants, one gas utility and one municipal gas operation. Note that the load of these special contract customers has not been included in the Company's proposed reliability need.
- (b) Notwithstanding that these customers may have certain provisions included in their contracts, an overtake associated with any of these customers would be determined by comparing the confirmed nomination with actual metered gas usage of that customer. Because of the large size of these customers and the fact that three of the six are located on dedicated distribution lines, the Company has installed real-time metering for these customers and has the ability to remotely shut these customers off via its SCADA system should there be any overtakes.
- (c) Because these customers are special contract customers, the cost of remote telemetering and regulation was factored into the overall economics for the customer as well for the Company to serve the customer. The economics has typically resulted in the special contract customer directly paying for the installation of this equipment.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: July 31, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 2-13 Please refer to the Company's response to IRs SPR 1-13 and SPR 1-14. Explain the mechanisms that the Company has in place to discourage grandfathered customers from overtakes.

RESPONSE: In addition to the under-delivery charge on a Critical Day of five times the Daily Index price as set out in the Company's Distribution and Default Service Terms and Conditions, Bay State's proposal includes that any grandfathered customer who overtakes by greater than 30% would be subject to permanent capacity assignment. See Exh BSG-1 at 13, lines 4-19.